



COMMONWEALTH of VIRGINIA

DEPARTMENT OF TRANSPORTATION
1401 EAST BROAD STREET
RICHMOND, VIRGINIA 23219-2000

RAY D. PETHEL
INTERIM COMMISSIONER

January 29, 2002

Dear Colleague:

As you probably know, Governor Mark Warner has instructed the Virginia Department of Transportation (VDOT) to develop within 30 days a plan to reshape the Virginia Transportation Development Plan (VTDP), formerly known as the Six-Year Plan. This mandate became necessary as a result of finding the previously adopted program had used unrealistic assumptions and revenue estimates. As Interim Transportation Commissioner, I am working diligently with VDOT staff to carry out this task. I also want to keep you informed of our progress along the way.

This letter represents the first status report about the ongoing effort to incorporate financial realities, realistic cost estimates and achievable schedules into the VTDP. I am outlining the major deliverables and tasks we have set, and providing you a look toward upcoming activities.

This project is divided into three major components, all of which will be affected by current- and future-year revenue projections. The three components are:

- Providing appropriate funding for VDOT's Maintenance Program;
- Creating a realistic and achievable VTDP; and
- Establishing criteria to evaluate Public Private Transportation Act proposals and long-term impact on our finances.

Because future revenue will be affected and because General Assembly actions will further affect each of these areas, eight financial scenarios are being developed, ranging from what we believe is the worst case to best case. Those scenarios are being reviewed to determine which will be presented. The scenarios include:

- Using alternate (more conservative) revenue projections;
- Incorporating proposed budget impacts; and
- Anticipating potential additional budget actions.

Providing appropriate funding for VDOT's Maintenance Program

The following has been decided:

- Maintenance needs will be addressed first as stated in the Code.
- A reasonable growth factor will be projected for each year beyond FY 02.
- The planned rate of growth for the state-maintained system will be approximately 4% annually. Urban maintenance payments to municipalities and Arlington and Henrico counties will continue to grow according to VDOT's maintenance cost index as provided by statute.

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Tuesday, March 26, 2002 (2).max

Creating a realistic and achievable VTDP

Regarding the VTDP, the following actions have been taken or are under way:

- Districts are identifying projects that cannot be delivered in six years.
- Interstate and primary system projects that can be delivered (those that are not funding constrained) have been prioritized based on the following criteria:
 1. Projects that are under construction
 2. Safety
 3. Mobility (congestion and access) and Intermodal Connectivity
 4. Economic Development
 5. Environmental/Cultural Improvement or Compliance
- VDOT's Location & Design Division has updated project estimates based on the most recent analysis of cost increases over project life. This information was submitted to VDOT's Programming and Scheduling Division (P&S) last week.
- P&S is analyzing the impact of the revised project estimates and revised revenues on VTDP.
- If updated costs are not available, projects will be inflated by a percentage we identified through a sample analysis.
- Districts are submitting updated final cost estimates for ongoing construction projects this week.
- Urban System project priorities and cost estimates are being updated this week.
- Discussions with Resident Engineers regarding the Secondary System Plan will be held this week.

It is important to note that this is an iterative process. For example, the cost estimating approach will be refined continuously through the development of the update of the VTDP for consideration by the Commonwealth Transportation Board in May.

In addition, projects will be sorted by the following priorities:

- Projects under construction or projects that have been completed but not fully funded will have first priority on available funds;
- Projects that have right of way acquired and are ready for advertisement will have next call on available funds;
- Projects that are ready to begin right of way acquisition will have the next call on available funds;
- Projects at the field inspection stage will have the next call on available funds; and
- Projects at the scoping stage will have the final call for any remaining available funds.

Establishing criteria to evaluate Public Private Transportation Act Proposals

The following draft position papers are being prepared to help guide future agency actions relating to the Public Private Transportation Act:

- Statement on debt capacity of the agency
- Identification of minimum risk-sharing requirements

These are due on January 31:

- Relationship of existing PPTA proposals and the VTDP
- Organizational needs for administering the PPTA

In summary, VDOT staff is developing the following to reshape the plan:

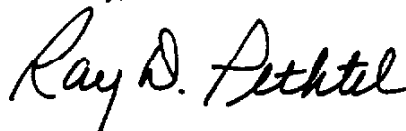
- Revenue projections based upon the realistic scenarios;
- A realistic assessment of future maintenance needs;
- A preliminary draft list of potential projects to be removed from the construction phase of the plan;
- A preliminary draft list of potential projects to be removed from the feasibility phase of the plan;
- A recommendation of the appropriate annual investment on projects in the feasibility phase;
- A programmatic approach to the delivery of the VTDP that will achieve on budget and on time delivery; and
- Proposed guidelines for responsible administration of the PPTA.

In addition to those deliverables, there are other items that must be developed to ensure that the next update of the VTDP results in a realistic and achievable construction program. We have identified several opportunities for improving various processes within the plan that will require more time to complete. These include:

- Refining cost estimates at different stages in the development of a project.
- Re-examining the pre-allocation process to determine if there are structural improvements that will provide the public a greater sense of involvement and better understanding.
- Developing management reports to assist in project and program management to provide a better picture of financial, project and program status.
- Reviewing the reasons for missed advertisement dates and making recommendations to improve on-time advertisement.

We recognize that this process may have to be amended as additional information becomes available or as legislative action occurs. But we have adopted a simple goal: ***We will deliver our projects on budget, on time, every time, all the time.*** Questions or comments can be addressed to me or Andy Bailey at 786-2701 or by e-mail to ray.pethtel@virginiadot.org or andy.bailey@virginiadot.org.

Sincerely,



Ray D. Pethtel
Interim Commonwealth Transportation Commissioner

Cc: The Honorable Whittington W. Clement
Commonwealth Transportation Board Members